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SENSITIVE

TREASURY FOR PARODI, STATE PASS TO USTR, USDOC WASHDC

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TAGS: [PGOV](#) [PREL](#) [ECON](#) [BR](#)

SUBJECT: BRAZIL: CABINET SHUFFLE--PART III

REF: A. BRASILIA 1660

[B](#). BRASILIA 1819

[C](#). BRASILIA 1849

[D](#). BRASILIA 1867

[E](#). BRASILIA 1631

[F](#). BRASILIA 1973

1.(SBU) SUMMARY. Brazilian President Lula da Silva concluded his third cabinet shuffle on July 21 to shore up crumbling support in Congress as a series of corruption scandals continue to rock his party and government (reftels) (revised cabinet list at paragraph 6). The President announced the nomination of two more ministers: Nelson Machado, a PT-allied career civil servant at the Planning Ministry, becomes the new Social Security Minister; and the PP-connected Trade Ministry's Executive Secretary Marcio Fortes steps in as the Cities Minister. Lula has reshuffled a total of 10 ministry posts and removed cabinet-level status of two Secretariats (Communications and Human Rights) (refs B and D) since early June when the Workers' Party (PT) was accused of bribing congressmen to back government legislation, sparking a major political crisis. With these moves, Lula expected to defend the government and rearrange his support base in Congress, but it is highly unlikely that his coalition will be able to advance its legislative agenda in the current environment and with only 16 months before Brazil's national elections. END SUMMARY.

PRESIDENT LULA CONCLUDES CABINET SHUFFLE

[2](#). (U) On July 21, President Lula da Silva effected the two final cabinet changes in his third and long-awaited cabinet shuffle amid an ongoing corruption scandal that has already resulted in the removal of several key leaders. The new cabinet ministers are:

- Marcio Fortes, 63, a career diplomat with a law degree, replaces Olivio Dutra (PT) as the new Cities Minister. Fortes, who served as an Executive-Secretary (vice-Minister) to the Ministries of Trade (2003-2005), Agriculture (1995-2002), and Mines & Energy (1990-1992), has connections with the Progressive Party (PP) and was a personal choice of Chamber President Severino Cavalcanti (PP). Reportedly, Fortes' appointment is intended to satisfy Cavalcanti and, consequently, improve relations between the executive branch and Congress. However, it was not endorsed by the entire PP delegation in the Chamber.

- Nelson Machado, a PT-allied career civil servant at the Planning Ministry, replaces Senator Romero Juca (PMDB) at Social Security. Machado has served as Executive-Secretary in the Ministry of Planning since Lula came into office and served as interim Planning Minister in late 2004. Machado holds a law degree, a Master's in Financial and Budgetary Administration, and a Doctorate in Accounting. He was chief of staff at Sao Paulo City Hall (1991-92) and served as director of Sao Paulo State School of Finance.

[3](#). (U) The recently-finalized cabinet shuffle increased the weighting of two of the allied parties (PMDB and PP) and decreased the number of first-rank positions occupied by the ruling PT, as Lula attempted to salvage his Congressional coalition. The PMDB increased its participation from two to three ministerial seats (Note: In late June, the government promised to increase the PMDB's cabinet presence to four ministerial seats, but decided to award it only three after it failed to unite behind Lula's administration and remained split between pro and anti-government wings. End note.). The PP gained its first cabinet level position with the recent nomination of Marcio Fortes to the Ministry of Cities. President Lula's PT lost positions in the government: former PT ministers have reoccupied posts as lawmakers to defend the government (former Chief of Staff Jose Dirceu, former Political Coordinator Aldo Rebelo and former Labor Minister Ricardo Berzoini), and two Ministries formerly headed by the PT were transferred to the PMDB (Health and Mines & Energy) and one to the PP (Cities). President Lula also removed the cabinet-level status of two PT-controlled Secretariats (Human Rights and Communications) and transferred their duties to Secretary General Luiz Dulci (PT).

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LULA'S NEW CABINET

14. (U)

- President: Luiz Inacio Lula da Silva (PT-SP)
- Vice President: Jose Alencar (PL-MG)
- Minister-Chief Casa Civil (Chief of Staff): Dilma Rousseff (PT-RS)
- Secretary General: Luiz Dulci (PT-MG)
- Secretary for Economic and Social Development and Institutional Relations: Jaques Wagner (PT-BA)
- Institutional Security: Gen. Jorge Armando Felix (p-RJ)
- Inspector General: Waldir Pires (PT-BA)
- Secretary for Fishing: Jose Fritsch (PT-SC)
- Secretary for Racial Equality: Matilde Ribeiro (PT-SP)
- Secretary for Women's Affairs: Nilceia Freire (PT-RJ)
- Solicitor General: Alvaro Ribeiro Costa (p-CE)
- Agrarian Development: Miguel Rossetto (PT-RS)
- Agriculture: Roberto Rodrigues (PP-SP)
- Cities: Marcio Fortes (PP-RJ)
- Communications: Helio Costa (PMDB-MG)
- Culture: Gilberto Gil (PV-BA)
- Defense: Vice President Jose Alencar (PL-MG)
- Development, Industry and Trade: Luis Furlan (p-SP)
- Education: Fernando Haddad (PT-SP)
- Environment: Marina Silva (PT-AC)
- Finance: Antonio Palocci (PT-SP)
- Foreign Affairs: Celso Amorim (p-SP)
- Health: Saraiva Felip (PMDB-MG)
- Justice: Marcio Thomaz Bastos (PT-SP)
- Labor: Luiz Marinho (PT-SP)
- Mines & Energy: Silas Rondeau (PMDB-MA)
- National Integration: Ciro Gomes (PPS-CE)
- Planning: Paulo Bernardo (PT-PR)
- Science and Technology: Sergio Rezende (PSB-PE)
- Social Development: Patrus Ananias (PT-MG)
- Social Security: Nelson Machado (PT-SP)
- Sports: Agnelo Queiroz (PCdoB-DF)
- Tourism: Walfrido Mares Guia (PTB-MG)
- Transportation: Alfredo Nascimento (PL-AM)
- Central Bank President: Henrique Meirelles (p-GO)

(Note: "p" signifies a non-party professional appointment. The Political Coordination Secretariat was folded into the Secretariat for Economic and Social Development, which became

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Secretariat for Economic and Social Development and

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Institutional Relations. The Human Rights and the Communications Secretariats have been consolidated into General Secretariat. End Note.)

CHICOLA